

Report of Chief Executive

To

Cabinet

on

10th January 2017

Report prepared by: Christine Lynch
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Debt Management - Position to 30th November 2016

Policy and Resources Scrutiny Committee
Executive Councillor: Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 The purpose of this report is to apprise Cabinet of the following:

- the current position of outstanding debt to the Council, as at 30th November 2016
- debts that have been written off, or are recommended for write off, in the current financial year as at 30th November 2016
- Obtain approval for the write off of irrecoverable debts that are over £25,000.

2. Recommendation

That Cabinet:-

- 2.1 Notes the current outstanding debt position as at 30th November 2016 and the position of debts written off to 30th November 2016, as set out in Appendices A & B.
- 2.2 Approves the write off's as set out in Appendix B.

3. Background

- 3.1 It was agreed by Cabinet on 19th March 2013, following a report of debts over £25k to be written off, that the Director of Finance and Resources would submit a report on a regular basis to Cabinet on all aspects of the Council's outstanding

debt, along with the required write off position. This is the second report for the financial year 2016/17.

- 3.2 Southend-on-Sea is made up of a number of service areas responsible for the collection and administration of outstanding debt. The main areas are Accounts Receivable and Revenues which are linked to the billing and collection of the vast majority of debts that fall due to be paid to the Council for chargeable services, such as social care (see 4.5) and statutory levies such as Council tax and Non Domestic Rates (Business Rates).

However, there are other areas of debt that are included in this report, namely recovery of Housing Benefit Overpayments, Parking and Enforcement penalties and library fines. In addition, there are also debts for the Housing Revenue Account for rent arrears and service charges.

- 3.3 The process and legislative framework for the collection and write off of debt were detailed in the report to Cabinet on 17th September 2013. However, it is worth noting that the Council has a good success rate in collection of debt, and the collection targets are agreed annually as part of the Councils service planning process.
- 3.4 Debts are only considered for write off where all other courses of recovery available have been undertaken or explored and the debt is considered irrecoverable.

4. Councils Debt Types

4.1 Council Tax

£83.3 m of Council tax is due to be collected in 2016/17, and the Council has set a collection rate of 97.2%.

In 2015/16, 97.2% of the outstanding Council Tax due was collected, and collection continues for the outstanding arrears for that year and for previous years. The chart below shows the actual in year collection rate over the past 4 years, and the collection rate of each year's charge to date, including debts that have already been written off.

	Council Tax Performance	
	As at 31st March of relevant year	As at 30 th November 2016
1st April 2012 - 31st March 2013	97.9%	99.6%
1st April 2013 - 31st March 2014	97.1%	99.4%
1st April 2014 - 31st March 2015	96.8%	99%
1st April 2015 - 31st March 2016	97.2%	98.5%

4.2 Non Domestic Rates (Business Rates)

The Council is due to collect approximately £49m of Business Rates in 2016/17 and has set an in year collection target of 97.8%.

The Council achieved an overall collection of 97.8% in 2015/16, which was 0.2% above target and collection is continuing for outstanding arrears for previous financial years.

The chart below shows the actual in year collection rate over the past 4 years, and the collection rate of each year's charge to date, including debts that have been already written off.

	Non-Domestic Rates Performance	
	As at 31st March of relevant year	As at 30th November 2016
1st April 2012 - 31st March 2013	96.5%	99.6%
1st April 2013 - 31st March 2014	97.5%	99.6%
1st April 2014 - 31st March 2015	97.6%	99%
1st April 2015 - 31st March 2016	97.8%	99%

4.3 Housing Benefit Overpayment

This is any entitlement to a rent allowance or rent rebate that a person has received but is not entitled to. Most commonly this accumulates when there is a change to a person's circumstance and they fail to notify us in good time. The overpayment will be invoiced unless they are in receipt of Housing Benefit in which case their benefit entitlement is reduced to enable recovery of the overpayment. The vast majority of Housing Benefit overpayment is due to claimant error.

4.4 Libraries

Library debt is made up of overdue fines and replacing lost or non-returned books.

4.5 Department for People - Adult Services (formerly Social care)

Adult Services make charges for the following services;

- Contributions to residential accommodation
- Charges for non-residential services i.e. Home Care, Community Support, Day Services and transport to services
- Charges to other local authorities
- Charges to Health Authority

Adult Social Care Debt as at 30th November 2016 16 was £4,046,227 in comparison to £5,386,836 on 1st August 2016.

It should be noted that of the total amount outstanding;

- £1,734,553 is debt secured against property
- £661,301 is being collected by Direct Debit
- £202,677 is under 30 days old

4.6 Parking

The recovery of unpaid Penalty Charge Notices is undertaken by semi-judicial process under the current Traffic Management Act 2004.

From 1st April 2016 to 30th November 2016 a total of 21,986 Penalty Charge Notices (PCNs) have been issued identifying a projected income of £765,310. It should be noted that PCNs are issued at a higher rate and lower rate (£70.00 and £50.00 respectively) depending on the seriousness of the parking contravention. PCNs may be paid at a discounted rate of 50% of the charge if paid within 14 days of the date of issue.

This value is continuously being amended as payments are received and it should be recognised that payments made at the 50% discount amount will reduce the projected income level. Generally, 75% of paid PCN's are paid at the discounted payment.

The value of cancelled notices is £72,570 and cases written off where no keeper has been identified totals £13,744.

4.7 Miscellaneous Income

This will include a range of services that the Council will charge for including such areas as rental income on commercial properties, recharges to other bodies for services we have provided, and recovering overpaid salaries from staff that have left.

It is important to note that collection can vary month by month depending on the value of invoices raised as a reasonable period needs to be allowed for payment to be made.

4.8 Housing

Under the management of South Essex Homes there are the arrears of outstanding debt of Rent and Service Charges. The cost of any write-offs for this category of debt is specifically charged to the Housing Revenue Account and not to Council Tax Payers.

5. Write-Off Levels

5.1 Write off approval levels currently in place are shown in the tables below, which are in accordance with the Financial Procedure rules set out in the Constitution and the corporate debt recovery policy.

Debt Type: Council Tax/ Accounts Receivable/Social Care/ Housing and Council Tax Benefit

Designation	Amount
Assistant Manager/Manager	under £5,000
Director of Service	Between £5,000 and £25,000
Cabinet	£25,000 and above

Debt Type: NNDR (Non Domestic Rates)

Designation	Amount
Assistant Manager	under £5,000
Manager	Between £5,000 and £10,000
Director of Service	Between £10,000 and £25,000
Cabinet	£25,000 and above

Debt Type: Parking

Designation	Amount
Notice Processing Officer & Section Leader.	under £5,000
Section Leader	Between £5,000 and £10,000
Group Manager	Between £10,000 and £25,000
Cabinet	£25,000 and above

Debt Type: Housing Rents and Service Charges

South Essex Homes, as managing agent, submit proposed write-offs to the Council, following which the following approval levels are exercised.

Designation	Amount
Director of Service	Under £25,000
Cabinet	£25,000 and above

5.2 Write offs for Cabinet approval are shown in Appendix B.

6. Council Debt Position (as at 30/11/16)

Appendices A and B show the current debt position within each service area, and the amount that has been written off so far in the current year.

For Council tax and Non Domestic rates there is a net collectable debt at the beginning of the year. Although this can change depending on changes to liability or property being removed or introduced to the lists, it is fairly consistent.

However other service areas may see greater fluctuations as new debts are created during the financial year.

7. Other Options

This is a report notifying members of the current position of the Council's debt and related write offs, and therefore there are no other options.

8. Reasons for Recommendations

All reasonable steps to recover the debt have been taken, and therefore where write off is recommended it is the only course of action available.

If the Council wishes to pursue debts for bankruptcy proceedings, it will follow the agreed and published recovery policy that covers this.

9. Corporate Implications

9.1 Contribution to Council's Vision & Corporate Priorities

Efficient write off of bad and irrecoverable debts, where appropriate, is good financial practice and reduces the bad debt provision and financial impact in the Authority's accounts.

9.2 Financial Implications

Debts that are written off will have been provided for within the Councils bad debt provision and as such there should be no specific financial implications. However it is possible that unforeseen and unplanned additional write offs occur, which lead to the value of debts written off in any year exceeding the bad debt provision.

Where this is likely to happen, this report will act as an early warning system and will enable additional control measures to be agreed and taken to either bring the situation back under control, or to make appropriate adjustments to the bad debt provision.

Relevant service areas have to bear the cost of debts that are written off within their budget.

9.3 Legal Implications

If there are debts to be written off that exceed the level at which officers have delegated powers to deal with the matter, authorisation is required from the Cabinet.

9.4 People Implications

The people implications have been considered and there are none relevant to this report.

9.5 Property Implications

The property implications have been considered and there are none relevant to this report.

9.6 Consultation

Consultation is not required for write off of debt.

9.7 Equalities and Diversity Implications

Each write-off is considered on an individual basis, there is no equalities and diversity implication to consider.

9.8 Risk Assessment

There is a financial implication to the bad debt provision if write offs are not dealt with within the current financial year.

9.9 Value for Money

It is a matter of good financial practice and good debt management to report value of debt and write off regularly.

9.10 Community Safety Implications

There are no Community Safety Implications.

9.11 Environmental Impact

There is no environmental impact.

10. Background Papers

Full details of recovery action against each recommended write-off are held within the services computer systems.

11. Appendices

Appendix A Summary of outstanding debt

Appendix B Summary of Write offs